

Message Text

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ORIGIN ARA-14

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NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-05 ITC-01
TRSE-00 PRS-01 SP-02 OMB-01 FEA-01 USIE-00 NSCE-00
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TO AMEMBASSY SAN SALVADOR IMMEDIATE

INFO AMEMBASSY TEGUCIGALPA IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: CFTC INVESTIGATION

REF: STATE 286274 (NOTAL)

1. THE FOLLOWING ARTICLE APPEARED IN THE DECEMBER 1
WALL STREET JOURNAL:

BEGIN QUOTE. WASHINGTON - AN UNUSUAL COFFEE BATTLE
IS BREWING.

THREE CENTRAL AMERICAN COFFEE CONCERNS, WHICH
ALLEGEDLY HAVE BEEN INVOLVED IN A POSSIBLE MOVE
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TO CORNER THE COFFEE-FUTURES MARKET, ARE FIGHTING
A RECENT GOVERNMENT AND INDUSTRY DECISION TO RESTRICT
TRADING IN THAT MARKET.

LAST FRIDAY, THE COMMODITY FUTURES TRADING COMMISSION
AND THE NEW YORK COFFEE AND SUGAR EXCHANGE INC.
LIMITED TRADING IN DECEMBER 1977 COFFEE "C" CONTRACTS

TO THE LIQUIDATION OF CONTRACTS BECAUSE THERE
DIDN'T APPEAR TO BE ENOUGH COFFEE AVAILABLE TO FULFILL
THE CONTRACTS OUTSTANDING.

THE THREE COMPANIES--COMPANIA SALVADORENA DE
CAFE S.A., A SELLING AGENT FOR COFFEE GROWN IN EL
SALVADOR, EXPORTADORA DE CAFE HONDURAS S.A. AND
BENEFICIO UNION S.A., TWO HONDURAS-BASED COFFEE
EXPORTERS--ARE SAID TO HOLD AS MUCH AS 75 PERCENT
OF THE DECEMBER 1977 CONTRACTS OUTSTANDING.

IN AN UNUSUAL MOVE, THE THREE COMPANIES REQUESTED A
HEARING ON THE MATTER WITH THE COMMISSION, AND THE
COMMISSION, IN TURN, LATE YESTERDAY SAID IT HAD
AGREED TO SCHEDULE A MEETING IN WASHINGTON WITH THE
COMPANIES TODAY. USUALLY, THE COMMISSION ASKS
PEOPLE TO COME TO IT, RATHER THAN THE OTHER WAY
AROUND.

ACCORDING TO A COMMISSION SPOKESMAN, THE COMPANIES
BELIEVE THEY HAVE BEEN "ADVERSELY AFFECTED AND
AGGRIEVED BY THE ORDER" TO LIQUIDATE THE DECEMBER
CONTRACTS. TRADERS ARE REQUIRED TO LIQUIDATE AT
LEAST 25 PERCENT OF THEIR OPEN POSITIONS IN DECEMBER
CONTRACTS BY TOMORROW.

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SPOKESMEN OR ATTORNEYS FOR THE THREE COMPANIES
COULDN'T BE REACHED FOR COMMENT.

HOWEVER, ONE COFFEE-MARKET SOURCE IN NEW YORK ASSERTED
THAT THE "FIRMS ARE VERY UNHAPPY" WITH THE COMMISSION-
EXCHANGE MOVE. HE NOTED THAT "THEY FEEL THERE ALSO
IS ANOTHER SIDE TO THE STORY," ADDING THAT "THERE
HAVE BEEN SOME LAWSUITS THREATENED." END QUOTE.

2. FYI: THE HEARING WAS CLOSED AT THE REQUEST OF
THE COMPANIES' LAWYERS AND THE SUBSTANCE OF THEIR
REPRESENTATIONS TO THE COMMISSION'S STAFF IS SUBJECT
TO THE CFTC'S RULES OF CONFIDENTIALITY. VANCE

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